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The Effect of Regional Investment and Spending On Economic Growth

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ABSTRACT

Economic growth signifies the progressive enhancement of a region's capacity to generate goods and services within a specific timeframe⁷. Achieving high economic growth clearly indicates the successful progress of economic development. This research aims to ascertain the impact of Regional Investment and Expenditures on the Economic Growth of West Java Province. The investigation employed a⁶ descriptive methodology. The data was acquired from the Central Statistics Agency Report from 2015 to 2021. The data analysis technique uses the Multiple Linear Regression equation. The research findings indicate that investment and regional expenditure significantly impact economic growth.

Keywords: Investment, Regional Expenditure, Economic Growth.

INTRODUCTION

Economic growth is a fundamental indicator of a region's overall well-being and success, and this is especially important for West Java Province. In recent years, the province has faced numerous problems that have hindered its economic advancement. Significant obstacles have arisen in increased poverty rates, unemployment, societal problems, and subpar human resource quality. Simultaneously, there is a discernible slowdown in economic expansion and a rise in environmental deterioration and pollution. Gaining a comprehensive understanding of the dynamics and interaction of these factors is essential for developing effective policies that can drive the region toward sustainable and equitable economic growth. (Gherghina, Botezatu, Hosszu Simionescu, 2020)

Investment plays a crucial role in driving economic growth. Between 2015 and 2021, West Java Province's economic growth exhibited fluctuating volatility levels, highlighting the complex character of the met issues. Regional governments must address two key

factors when dealing with these complex issues: improving internal efficiency and resource allocation and meeting external demands to achieve community welfare objectives through regional autonomy. This dichotomy emphasizes the intricate task that regional administrations must perform to attain economic development that is simultaneously strong and fair. (Hannafi & Daud, 2023; Lestari & Safarina, 2023)

The data presented by the West Java Central Statistics Agency provides insights into the variations in economic growth during this period. In 2016, there was a significant increase, which was then followed by a decline in 2017. In 2018, there was a significant increase in economic growth, which was later followed by a decline in 2019. The emergence of the COVID-19 pandemic in 2020 led to a substantial decline in economic development, highlighting the susceptibility of regional economies to exogenous disturbances.

Investment is seen as the primary determinant in overcoming the economic issues encountered by the province. Investing in capital projects is widely recognized as a critical factor that can significantly improve output, export competitiveness, and the whole local economy. Nevertheless, the research findings indicate that increased investment can lead to decreased provincial economic growth. This startling finding requires careful deliberation in policy formulation to achieve a delicate equilibrium that promotes economic progress without unintentionally impeding it. (Liang, Zhou, Li, Zhou, Sun & Zeng, 2020)

Aside from investment, this research primarily focuses on regional expenditure. Regional growth depends on executing proficient and productive financial management at the regional level. Efficient administration of finances at a regional level requires both reliable human resources and adequate financial capacity. Evidence has shown that regional spending, namely in capital investment, has benefited economic growth in many districts of Aceh Province. This discovery emphasizes the urgent requirement for enhanced regional finance management to improve efficacy. (Maneejuk & Yamaka, 2021; Mutmainah, Disman & Kurniawati, 2021)

Moreover, significant regional spending measures the degree to which infrastructure and amenities have been established. Efficiently allocating regional expenditures, particularly in the context of development, is essential for optimizing the efficient use of public monies. Efficient infrastructure development establishes a favorable setting that enables economic activities inside the community and acts as a stimulant for attracting additional investments. (Prawiroyudo & Suhendro, 2023; Safitri, Karina & Digidowiseiso, 2023)

This study aims to offer a thorough comprehension of the influence of investment and regional expenditure on economic growth in the West Java Provincial Government. The expected results are fundamental for creating more targeted and effective tactics. These policies seek to achieve sustainable and equitable economic growth in the future by promoting collaboration between the government, business sector, and society.

By tackling the many obstacles and utilizing both investment and regional expenditure, the possibilities for a robust and prosperous West Java economy become more and more tangible. This holistic approach acknowledges that economic growth is not a solitary entity but a complex interplay of multiple causes. To effectively address the issues encountered

by the province, it is imperative to possess a comprehensive understanding beyond simple statistics analysis.

Economic growth is a multifaceted occurrence impacted by internal and external influences. The internal factors refer to the regional administration's governance, policies, and resource management techniques. External variables include global economic trends, technological developments, and unforeseen catastrophes like pandemics. Achieving a harmonious equilibrium between these internal and external forces is crucial for maintaining long-term economic expansion.

When analyzing the role of investment, it is crucial to acknowledge the diverse and significant influence it may exert on the economy. Infrastructure, technology, and human capital investments can drive an area towards higher productivity and competitiveness. Nevertheless, the results of this study reveal a possible contradiction where increased investment could result in a decrease in economic development. This contradiction highlights the need for sophisticated policymaking considering the complex interconnections among many economic variables.

The research also explores regional spending, highlighting its crucial role in the narrative of economic development. Efficient fiscal management at the regional level is not solely an issue of financial responsibility but also a crucial necessity for promoting progress. The strong association between regional investment in capital projects and economic growth in different districts within Aceh Province provides evidence of the significant influence that targeted spending may have on the local economy.

Furthermore, the magnitude of regional expenditure is a concrete measure of regional governments' dedication to improving infrastructure. The effective distribution of regional money, particularly in developmental initiatives, is not solely an issue of financial caution but a vital factor in creating a favorable climate for economic operations. Infrastructure development, encompassing many sectors such as transportation networks and educational institutions, plays a crucial role in attracting more investments and promoting the overall welfare of society.

This research aims to decipher the complex network of factors impacting West Java Province's economic growth. The objective is to go beyond basic data research and explore the qualitative dimensions of governance, financial management, and the strategic choices made by regional governments. The expected research results are positioned to establish a solid basis for developing focused and efficient tactics. (Subiyakto, 2023; Zanra, 2023)

These policies, designed to promote cooperation between the government, private sector, and society, aim to bring about sustained and equitable economic growth. The economic difficulties confronted by West Java Province are highly intricate and demand a comprehensive and multifaceted strategy that goes beyond conventional paradigms. A fundamental change is required towards a model emphasizing integration and collaboration, recognizing the interdependent linkages among many stakeholders.

The COVID-19 pandemic highlights the significance of resilience and adaptability when confronted with unexpected circumstances. The pandemic has highlighted the susceptibility of regional economies to foreign disruptions and emphasized the necessity for diversified and robust economic frameworks. Hence, any strategy designed for the

economic advancement of West Java Province must also include methods for minimizing the consequences of unexpected occurrences.

To summarize, this research provides a detailed understanding of the complex dynamics of economic growth in West Java Province. It acknowledges that economic growth is not a straightforward progression but an intricate interaction of internal and external influences. The research findings are anticipated to offer valuable insights for policymakers, researchers, and practitioners in formulating solutions that surpass traditional approaches.

The obstacles encountered by West Java Province are not impossible to overcome. With a comprehensive comprehension of the economic terrain, the province may steer towards a future characterized by long-lasting and all-encompassing development.

Expansion. Through the strategic utilization of investment and regional expenditure, the province can establish itself as a robust and prosperous economic center, serving as a model for other regions encountering comparable difficulties.

METHOD

The research technique used in this study is primarily descriptive to clarify and fully explain the elements being examined within the unique context of the West Java Provincial Government. Descriptive research is especially suitable when the objective is to comprehend complex interactions between variables.

Alongside the descriptive approach, a quantitative technique has been utilized. The selection of quantitative research is based on its capacity to examine the relationship between variables, hence enabling the assessment of specific hypotheses. This approach entails measuring and calculating data, enabling thorough statistical examination to reveal patterns and connections.

The data collection process for this research encompassed the period from 2015 to 2021 and focused on the West Java Provincial Government. The Central Statistics Agency's official website was utilized as the primary data source, guaranteeing the dependability and genuineness of the collected information. Implementing probability sampling was crucial in obtaining samples representing the total research population. The team used a saturated sample or census strategy, including all pertinent data sources. The primary sources comprised Balance Sheets, Budget Realization reports, and Gross Regional Domestic Product (GRDP) reports, collectively forming a comprehensive dataset.

The research utilized multiple linear regression to examine the complex interplay among investment, regional expenditure, and economic growth. This sophisticated variant of linear regression is highly skilled at determining the influence of one or more independent variables on a dependent variable. It is an excellent instrument for comprehending present dynamics and predicting future trends using historical data. Multiple linear regression is crucial in understanding the complex relationship between investment, regional expenditure, and their combined impact on economic growth.

Several linear regression enables the inclusion of several independent variables, resulting in a more detailed and accurate depiction of the intricate relationships within the economic environment. The research aims to gain a comprehensive understanding of the

complex dynamics that influence the economic performance of the West Java Provincial Government by analyzing several elements simultaneously.

RESULTS AND DISCUSSION

From 2015 to 2021, the West Java Provincial Government has strategically devised and executed economic strategies to enhance investment and maximize regional spending. By doing a rigorous linear regression analysis, we can uncover the complex dynamics and measure the influence of these two crucial variables on the region's economic growth trajectory. The constant term, a crucial factor in the investigation, is measured at 200037.345. This condition denotes the fundamental financial performance without investment or regional spending, which remains constant. Grasping this fundamental starting point is essential for understanding how changes in other factors impact the region's economic prosperity.

The positive regression coefficient of 0.00000004569 linked to investment indicates that a one-unit change in the investment variable leads to a 0.00000004569 rise in economic growth, assuming all other variables remain unchanged. The empirical evidence from the analysis clearly emphasizes the crucial importance of investment in stimulating economic growth in West Java Province. The significant increase in capital investment observed over the research period is evidence of the regional government's dedication to fostering the investment sector, consequently strengthening long-lasting economic growth.

Similarly, the coefficient of 0.0000000137 for Regional Expenditure indicates that a one-unit increase in regional expenditure leads to a commensurate increase of 0.0000000137 in economic growth, providing all other variables remain unchanged. This viewpoint redefines regional expenditure as more than just the distribution of money but as a strategic tool to promote advancement and improve the community's welfare. Effective distribution of funding at the regional level arises as a powerful instrument to enhance various sectors by fostering infrastructure development and delivering top-notch public services.

The consistent results of this study agree with economic theories that propose that increasing investment and regional spending act as drivers for economic growth. The main driving force behind economic growth in West Java Province was the significant rise in investment, as evidenced by the actual value of capital investment over the study period. Investment has economic effects and creates job opportunities, thereby increasing the overall potential for economic activity. Prudently distributing funds leads to enhanced job opportunities for individuals, boosting their income and improving their overall standard of living. (Shen, Liu, Luo, Wu, Chen & Wei, 2021; Zhang, Mohsin, Rasheed, Chang & Taghizadeh-Hesary, 2021)

The empirical evidence underscores the crucial importance of effectively allocating funds at the regional level for economic growth. Allocating resources strategically at the regional level has concrete impacts on the community's welfare. It facilitates the

development of crucial infrastructure, delivering top-notch public services that, in turn, improve accessibility and connection and stimulate local economic growth. Efficient public services establish a conducive atmosphere for economic activity, enhance education and health, and spur local businesses. (Rhamedia, 2022; Rosmadayanti, Imaningsih & Wijaya, 2021)

The findings are significant for decision-makers and policy planners in the West Java Provincial Government. Emphasizing sustainable investment efforts by increasing financial resources is an effective technique to promote economic growth. Moreover, it is crucial to carefully manage regional expenditures, particularly by prioritizing activities that directly enhance the community's economic growth.

Policy recommendations can encompass actions designed to promote growth in lucrative economic sectors. Regional governments can create incentive programs that promote investment, develop skilled and competent human resources, and encourage cooperation between the government, corporate sector, and society. Promoting programs that foster innovation, sustainability, and inclusivity may cultivate a vibrant economic environment, moving West Java Province towards a future marked by robust and equitable economic expansion.

CONCLUSION

The findings of this study indicate that both investment and regional spending exert a favorable impact on the economic growth of the West Java Provincial Government for the period of 2015-2021. Investment, characterized by a regression coefficient of 0.0000004569, emerges as the primary catalyst for economic growth, as evidenced by the rise in the actual value of capital investment. Regional spending, characterized by a coefficient of 0.000000137, positively contributes to enhancing infrastructure and providing public services. The correlation between investment and regional expenditure demonstrates a more significant beneficial effect than when considered individually, affirming the significance of policies that simultaneously promote both.

Investment is pivotal in driving economic growth and is the basis for comprehensive economic strategies. Communities and local economic players can benefit from the opportunities created by efficient regional investment and expenditure. The implications underscore the importance of cooperation between the public and private sectors. In order to achieve sustainable and inclusive economic growth in the future, West Java Province aims to pursue policies that promote increased investment and efficient regional spending.

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